

Message Text

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ACTION L-03

INFO OCT-01 EUR-12 ISO-00 A-01 OPR-02 SS-15 FBOE-00
SIG-01 DRC-01 MMO-01 FS-01 ABF-01 /039 W
-----066596 171435Z /46
R 171316Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0715

LIMITED OFFICIAL USE SECTION 01 OF 02 BONN 13411

STADIS//////////

DEPARTMENT FOR L/M HUMMER, L/EUR GANTZ

E. O. 11652: N/A
TAGS: AFSP, AINF, AREC, ABLB, GW
SUBJECT: IRS INVESTIGATION - BONN RECREATION
ASSOCIATION

1. BONN IRS ATTACHE WALLACE SPENCER HAS MADE TENTATIVE CONCLUSIONS THAT THE BONN EMBASSY RECREATION ASSOCIATION ("AMERICAN EMBASSY ASSOCIATION"(AEA)) (17 RETAIL, COMMISSARY, CLUB, AND RECREATIONAL ACTIVITIES) IS A DEPARTMENT OF STATE GOVERNMENTAL INSTRUMENTALITY AND THAT THE AMERICAN EMBASSY BONN HAS POTENTIAL LIABILITY FOR PAST AND FUTURE INCOME WITHHOLDING AND EMPLOYMENT TAX FOR AMERICAN REPEAT AMERICAN EMPLOYEES OF THE ASSOCIATION. THIS LIABILITY COULD AMOUNT TO SEVERAL HUNDRED THOUSAND DOLLARS, DEPENDING UPON ANY APPLICATION OF STATUTE OF LIMITATIONS. ADDITIONALLY, THE EMBASSY HAS CONTRACTS WITH THE ASSOCIATION FOR THE LATTER TO PROVIDE A GUARD SERVICE AND PART-TIME DEPENDENT SUMMER-HIRE DAY LABOR, WHICH THE IRS ATTACHE CLAIMS AS EMBASSY DIRECT HIRE U.S. GOVERNMENT EMPLOYEES.

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2. THE ATTACHE, UNDER AUTHORITY OF SECTIONS 7601 AND 7602 OF THE INTERNAL REVENUE CODE, HAS REQUESTED ACCESS TO EMBASSY OFFICIAL RECORDS, INCLUDING OFFICIAL CORRESPONDENCE WITH THE FEDERAL REPUBLIC OF GERMANY, CONCERNING THE STATUS AND ACTIVITIES OF THE EMBASSY RECREATION ASSOCIATION. SPECIFICALLY, THE FOLLOWING INFORMATION IS REQUESTED FOR IRS EXAMINATION: QUOTE:

A. MINUTES OF THE AEA MEETINGS FROM 1 JANUARY 1974 TO 31 DECEMBER 1976.

B. COPIES OF THE INDEPENDENT ANNUAL AUDIT STATEMENTS FOR THE YEARS 1973-4-5-6.

C. COPIES OF ANY LETTERS TO AUTHORITIES OF THE FEDERAL REPUBLIC OF GERMANY AND LOCAL AUTHORITIES BY EMBASSY OFFICIALS, OR MEMORANDUMS OF MEETINGS THEREWITH, CONCERNING THE STATUS OF AEA, AND ITS PREDECESSOR, ACA, AND MATTERS REFERRED TO IN ARTICLE VII, 4. A., B., AND C. OF THE CONSTITUTION - AND ANY REPLY IN WRITING BY THE AUTHORITIES OF THE FEDERAL REPUBLIC OF GERMANY AND LOCAL AUTHORITIES. THESE ARE HIGHLY IMPORTANT TO THE ISSUE AND ARE NEEDED BACK TO THE ORGANIZATION OF ACA IN 1952.

D. A SCHEDULE SHOWING THE LAND AND BUILDINGS OWNED BY THE AMERICAN EMBASSY MADE AVAILABLE FOR THE USE OF AEA (DESCRIPTION, SQUARE FOOTAGE, ETC.) FAIR RENTAL VALUE THEREOF, AND AMOUNTS PAID FOR THEIR USE, IF ANY, BY AEA.

E. A SCHEDULE SHOWING THE APARTMENTS MADE AVAILABLE BY THE AMERICAN EMBASSY TO AEA EMPLOYEES FROM 1 JANUARY 1974 TO DATE, LEASES COVERING SAME, AND RENTALS RECEIVED THEREFOR FROM AEA OR EMPLOYEES OF AEA.
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F. COPIES OF ALL CONTRACTS WITH AEA WITH RESPECT TO ALL EMPLOYEES (LIMITED TO U.S. CITIZENS OR RESIDENT ALIENS) DIRECTED TO BE PLACED ON THE AEA PAYROLL BY THE AMERICAN EMBASSY, FOR WHICH SERVICES OF SUCH EMPLOYEES WERE PERFORMED FOR AND UNDER THE DIRECTION OF EMBASSY OFFICIALS --- FOR ANY PERIOD AFTER 1 JANUARY 1974.

G. THE NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF ALL PERSONS PERFORMING SERVICES AS DESCRIBED IN (F) ABOVE FOR PERIODS 1 JANUARY 1974 THROUGH 31 JULY 1977.

H. A COPY OF ANY EMBASSY INSTRUCTIONS SHOWING THE PRIORITIES TO BE FOLLOWED IN MAKING "SUMMER HIRES".

I. THE PROCEDURE BY WHICH SUCH AN EMPLOYEE IS HIRED, TESTED, TRAINED, SUPERVISED, PROMOTED, FIRED OR TERMINATED. (PROBABLY AN INSPECTION OF A COUPLE OF PERSONNEL FILES AND A DISCUSSION WITH THE EMPLOYEE IN PERSONNEL ADMINISTERING THIS PROGRAM WOULD PROVIDE THIS INFORMATION.)

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ACTION L-03

INFO OCT-01 EUR-12 ISO-00 A-01 OPR-02 SS-15 FBOE-00
SIG-01 DRC-01 MMO-01 FS-01 ABF-01 /039 W
-----066598 171438Z /46

R 171316Z AUG 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 0716

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J. COPIES OF ALL "BILLS FOR COLLECTION" RENDERED TO
USASAB IN CONNECTION WITH PAYMENTS THERETO TO REIMBURSE
USASAB FOR PAYING THE WAGES OF SUCH EMPLOYEES.

K. THE NAME, ADDRESS, AND SOCIAL SECURITY NUMBER OF ALL
PERSONS PERFORMING SERVICES FOR THE AMERICAN EMBASSY OR
UNITED STATES MISSION, BERLIN WHO WERE PAID FROM
OCCUPATION FUNDS FOR ANY PERIOD AFTER 1 JANUARY 1974
THROUGH 31 JULY 1977, COPIES OF CONTRACTS WITH SUCH
EMPLOYEES OR "CONTRACTORS", AND THE AMOUNTS PAID THERETO
FOR EACH QUARTERLY PERIOD STARTING 1 JANUARY 1974.
END QUOTE. EMBASSY WILL ADDRESS PARA K SEPTEL.

3. THE EMBASSY RECREATION ASSOCIATION HAS RETAINED
PRIVATE U.S. LEGAL COUNSEL IN GERMANY TO REPRESENT AND
ADVISE THE ASSOCIATION ON TAX ASPECTS INVOLVED IN THIS
MATTER. THE DEPARTMENT SHOULD BE AWARE, HOWEVER, OF
OTHER POSSIBLE ASPECTS OF THE ALLEGED LIABILITY OF THE
EMBASSY SHOULD THE ASSOCIATION BE DETERMINED BY IRS TO
BE A STATE DEPARTMENT GOVERNMENTAL INSTRUMENTALITY, AND
THE CONTRACT GUARD SERVICE EMPLOYEES AS U.S. GOVERNMENT
EMPLOYEES. ALSO AT STAKE IS THE REIMBURSEMENT TO STATE
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BY THE ASSOCIATION OF OVER \$200,000.00 ANNUALLY IN UTILITIES, AND MAINTENANCE AND REPAIR (ASSOCIATION FUNDED), AND APPROXIMATELY \$20,000.00 IN RENTS. THESE ITEMS NORMALLY WOULD NOT BE CHARGED BY STATE TO A STATE OFFICIAL FUNCTION (SEE 6 FAM 514.1H).

4. ACTION REQUESTED: ADVISE WHETHER EMBASSY RECORDS, PARA 2 ABOVE, ARE TO BE RELEASED TO IRS REPRESENTATIVE AT BONN. CERTAIN PRIVACY ACT IMPLICATIONS MAY BE INVOLVED SHOULD INFORMATION FURNISHED TO IRS AFFECT U.S. NATIONALS. ADDITIONALLY, PLEASE ADVISE OF EMBASSY'S RESPONSIBILITY IN VIEW OF 6 FAM 514.10 PROVIDING THAT EMPLOYEES OF COMMISSARIES ARE NOT, IN EFFECT, GOVERNMENT EMPLOYEES AND 6 FAM 515 TO THE EFFECT THAT THE U.S. GOVERNMENT ASSUMES NO LIABILITY FOR THE OBLIGATIONS OF COMMISSARY, ETC.
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Message Attributes

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Sent Date: 17-Aug-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
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Subject: IRS INVESTIGATION - BONN RECREATION ASSOCIATION
TAGS: AFSP, AINF, AREC, ABLD, GE
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vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/d7346b59-c288-dd11-92da-001cc4696bcc
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